

A newsletter for all
**PERS Plan 2
Members**



Transfer Windows

Phase 1

State Agencies and Higher Education

March 1, 2002, through August 31, 2002

For PERS Plan 2 members who work for state agencies and state colleges and universities.

Defined benefit plan: a guaranteed retirement benefit based on service credit and average final compensation. The amount you or your employer contributes is not a factor in computing your retirement benefit.

Defined contribution plan: your benefit is based on the amount you contribute and the performance of the investments you choose. Investment returns (both gains and losses) are credited to your account.

Phase 2

Local Government

September 1, 2002, through May 31, 2003

For PERS Plan 2 members who work for local governments, including but not limited to, cities, counties, fire protection districts, water districts, library districts, health districts and public utility districts.



PERS Plan 3 Transfer Decision News

Washington State
Department of Retirement Systems

April 2001

Issue #1



New retirement plan provides choice for members

Public Employees' Retirement System (PERS) Plan 2 members will soon have an option to choose a new retirement plan. The 2000 Washington State Legislature created PERS Plan 3 to provide PERS Plan 2 members with a choice in their retirement planning. Members who elect to transfer to PERS Plan 3 will direct the investment of their contributions, while still having some of the security currently provided with PERS Plan 2.

PERS Plan 2

PERS Plan 2, for those who first became members on or after October 1, 1977, is a defined benefit plan funded by both member and employer contributions.

PERS Plan 3

PERS Plan 3 has a dual benefit structure consisting of a defined benefit component and a defined contribution component. Employer contributions fund the defined benefit portion of PERS Plan 3. Member contributions and investment returns from those contributions make up the defined contribution portion (for comparison of Plan 2 and Plan 3, see chart on page 3).

Transfer options

Current PERS Plan 2 members will have the choice of remaining in PERS Plan 2 or transferring to PERS Plan 3. There are specific transfer windows based on employer type. Transfer window dates are listed in the far left column of this page.

Education opportunities

DRS will provide PERS Plan 2 members a comprehensive transfer education program to assist members with their transfer decision. Transfer education is also discussed on page 2.

Payments & gain sharing

Members who transfer during their transfer windows and who earn service credit in February 2003 will receive a transfer payment based on member contributions and interest in their accounts as of March 1, 2002. More information about the transfer payment can be found in the article on page 4.

Additionally, members who transfer to PERS Plan 3 during their transfer window may be entitled to gain sharing. Gain sharing will occur if the investment earnings in the state retirement fund average more than 10 percent over a four-year period.

New Plan continued on page 2

Plan 2 or Plan 3?

Transfer education will help you decide

You will soon have a choice to make: remain in PERS Plan 2, or transfer to PERS Plan 3.

The choice you make will depend entirely on your own circumstances. The plan comparison table on the next page provides additional detail.

Your decision can have a lifetime impact, and you will want to consider many factors.

If you transfer to PERS Plan 3, the decision is irrevocable. For this reason, the Department of Retirement Systems (DRS) is designing a transfer education program that will include information and planning material to help you make your decision. The program will include newsletters from DRS, transfer and investment education workshops, printed materials, a Web site, telephone assistance, a video and interactive financial modeling software that will allow you to try different scenarios and judge which plan will best meet your needs.

DRS will send you information on workshop schedules and other opportunities. These materials will be distributed based on the phased implementation of PERS Plan 3.

The timeline below anticipates when pieces of the transfer education program will be introduced to each phase. More specific information about the education program will be published in the next edition of *PERS Plan 3 Transfer Decision News*.

<i>Anticipated Schedule</i>	Phase 1 State & Higher Education	Phase 2 Local Government
<i>PERS Plan 3 Transfer Decision News</i> #2 and Transfer education Web site	August 2001	December 2001
Transfer education packet, video, financial modeling software and workshops begin	December 2001	April 2002

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PERS Plan 3 Transfer Decision News is available in alternate formats to system members. For more information contact the editor at (360) 664-7934.

Restoring withdrawn contributions

If you previously left PERS-covered employment, withdrew your contributions and interest, and then returned to PERS-covered employment, you may be eligible to restore those withdrawn contributions. You may want to consider restoring those contributions if you decide to join PERS Plan 3. Why? Because eligible contributions restored prior to March 1, 2002, will be included in your account balance that is used for calculating the transfer payment (*for more information on transfer payments, see page 4*). The service credit will also be used for calculating your defined benefit.

There are specific eligibility rules about restoration. See "*Can I Recover Withdrawn or Optional Service Credit?*" on the DRS Web site at <http://www.wa.gov/DRS/drs.htm> for a more detailed explanation. You may also check with your employer or call DRS to request a copy of the brochure. Members who are identified by DRS as having restorable service credit will also be advised by letter of their eligibility.

New Plan (from front page)

More information about gain sharing and retroactive gain sharing will be discussed in future newsletters.

Current PERS Plan 2 members who do not transfer during their

transfer window will have an annual opportunity to transfer each January, provided they earn service in that month. However, they will not receive the transfer payment.

	PERS Plan 2	PERS Plan 3	
	Defined Benefit Funded by member and employer contributions	Defined Benefit Funded by employer contributions	Defined Contribution Funded by member contributions and investment earnings
Retirement Eligibility	<p>PERS Plan 2 provides a retirement benefit:</p> <ul style="list-style-type: none"> Normal retirement at age 65 or older, if you have at least 5 service credit years Early retirement at age 55 or older if you have at least 20 service credit years. If you begin drawing your retirement benefit before age 65, your benefit will be reduced. 	<p>PERS Plan 3 provides a retirement benefit:</p> <ul style="list-style-type: none"> Normal retirement at age 65 or older, if you have: <ul style="list-style-type: none"> At least 10 service credit years or; 5 service credit years, including 12 service credit months after age 54 or; 5 service credit years earned by June 1, 2003, for members who transfer to PERS Plan 3. Early retirement at age 55 or older, if you have at least 10 service credit years. If you draw your retirement benefit before age 65, your benefit will be reduced. 	<p>Members can establish a disbursement plan for their PERS Plan 3 defined contribution account when they terminate all employment from PERS-covered employers.</p> <p>While the defined contribution account can be paid out in a lump sum, members are encouraged to use it to supplement the defined benefit. There may be federal tax implications for early withdrawal.</p>
Retirement Benefit <i>“AFC” is the average salary of your highest consecutive 60 months.</i>	<p>The benefit calculation uses your average final compensation (AFC) and your total service credit (SC) at retirement. The formula is:</p> $2 \text{ percent} \times \text{SC} \times \text{AFC}$ <p>Example: Joe has 25 years of service, retires at age 65 with an AFC of \$30,000.</p> $.02 \times 25 \text{ years of service} = .50$ $.50 \times \$30,000 = \$15,000$ <p>Joe will receive .50 of \$30,000 or \$15,000* for an annual retirement benefit.</p>	<p>The benefit is calculated using your AFC and your total service credit when you retire. The benefit is calculated as follows:</p> $1 \text{ percent} \times \text{SC} \times \text{AFC}$ <p>Example: Joe has 25 years of service and retires at 65 with an AFC of \$30,000.</p> $.01 \times 25 \text{ years of service} = .25$ $.25 \times \$30,000 = \$7,500$ <p>Joe will receive .25 of \$30,000 or \$7,500* for an annual retirement benefit.</p>	<p>There is no formula to calculate a defined contribution benefit. The value of the benefit is based on the amount contributed and the performance of the investments. When you terminate all employment from PERS-covered employment, you may begin disbursement of your contribution account, or leave it in until a later time.</p>
Contribution Rate	<p>As of 9/1/2000, Plan 2 members contribute 2.43 percent of their salary; the employer contribution rate is 4.67 percent. Contribution rates change periodically, based on actuarial projections.</p>	<p>Employer contributions finance the defined benefit portion of PERS Plan 3 at the same contribution rate as PERS Plan 2.</p>	<p>Members will choose from a variety of contribution rate options. The lowest contribution rate is 5%, the highest 15%. The rate cannot be changed unless the member changes employers. Contributing is mandatory.</p>
Cost of Living Allowance (COLA)	<p>Each July following your first full year of retirement, your benefit will be adjusted by the percentage change in the Consumer Price Index, to a maximum of 3 percent per year.</p>	<p>Same as PERS Plan 2</p>	<p>There is no cost-of-living adjustment. The monetary value of your defined contribution account is based on the market value of your investments.</p>

* The benefit will be lower if Joe chooses an option to provide a beneficiary with an ongoing benefit.

Transfer Payment will be credited in June 2003

PERS Plan 2 members who transfer to PERS Plan 3 will receive a transfer payment if they meet the following requirements:

The member must:

- ✓ Transfer during his/her transfer window:
 - Phase 1: State agency and higher education employees March 1, 2002, through August 31, 2002
 - Phase 2: Local government employees September 1, 2002, through May 31, 2003
- ✓ Have a balance in his/her member account on March 1, 2002
- ✓ Earn service credit in February 2003

The transfer payment in statute for Phase 1 members will be 110 percent of the contributions and interest in their member accounts as of March 1, 2002. The transfer payment in statute for Phase 2 members is 111 percent of the contributions and interest in their accounts as of March 1, 2002.

The transfer payment percentage is established in RCW 41.40.795 6 (a) and (b).

Example 1:

- Mary, a state agency employee, has \$10,000 accumulated member contributions and interest in her account on March 1, 2002, and transfers to PERS Plan 3 in July 2002.
- The \$10,000 goes into Mary's new defined contribution account when she transfers.
- Mary earns service credit in February 2003.
- In June 2003 an **additional \$11,000** (110 percent of \$10,000) will be added to Mary's defined contribution account.

Example 2:

- Jim, a local government employee has \$10,000 accumulated member contributions and interest in his account on March 1, 2002, and transfers to PERS Plan 3 in December 2002.
- The \$10,000 goes into Jim's new defined contribution account when he transfers.
- Jim earns service credit in February 2003.
- In June 2003 an **additional \$11,100** (111 percent of \$10,000) will be added to Jim's defined contribution account.

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Update your address with your employer

DRS will mail important PERS Plan 3 information to your home address. To help ensure you receive these materials, keep your address up to date with your employer.

ADDRESS SERVICE REQUESTED

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